

701—31.4(423) Sales for lease of vehicles subject to registration—taxation and exemptions. When vehicles subject to registration are sold for subsequent lease, use tax is due in the initial instance. However, several important exemptions exist which are applicable to the sale for subsequent lease of vehicles subject to registration. The exemption applicable to sales of other leased property is not applicable to sales of vehicles subject to registration for subsequent lease. The following circumstances should be kept in mind when purchasing a vehicle subject to registration for subsequent lease:

1. The purchase of certain motor vehicles for long-term lease of more than 60 days, but less than 12 months, is not exempt from use tax. See 701—subrule 26.68(2) relating to taxation of long-term leases.

2. Effective January 1, 1997, the purchase of a vehicle subject to registration with a gross vehicle weight rating of less than 16,000 pounds, excluding motorcycles and motor bicycles, if actually leased for a period of 12 months or more is exempt from use tax. See 701—31.5(423) and 701—32.11(423) relating to taxation of long-term leases.

3. The purchase of “automobiles” for short-term, taxable lease is exempt from tax. See rule 701—32.11(423) and 701—Chapter 27 for specific information concerning this exemption.

4. See rule 701—32.9(423) for the specifics of an exemption applicable to trucks commonly known as tractors and semitrailers purchased for lease with the subsequent sole use in Iowa in interstate commerce.

5. The exemption from tax allowed for the use of tangible personal property by a person regularly engaged in the business of leasing if the period of the lease is for more than five months and the leasing of the property is subject to sales tax is not applicable to vehicles subject to registration.